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Tax Tips for District Taxes

January 1994

Pamphlet No. 44 • LDA

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Note: This pamphlet summarizes the law and applicable regulations in effect when the pamphlet was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the latter is controlling.

PREFACE

Over 75 percent of businesses in California are located or do business in special tax districts. This pamphlet is designed as a guide to the application of district tax to your sales and purchases.

The first chapter presents an overview of district taxes using a question and answer format. Subsequent chapters cover the specific application of the tax to place of sale, sales across district lines, construction contractors, and lessors. The pamphlet also includes a list of cities and counties with special tax districts on pages 20 and 21.

If you need information about tax rates in specific areas, you should refer to Pamphlet No. 71, *California City and County Sales and Use Tax Rates*. This pamphlet has a list of the tax rates for all postal delivery addresses in California and for zip codes located in special tax districts. Copies are available from your local Board office.

If you need information about specific sales or purchases, you should call or write your nearest Board office. A list of Board offices and telephone numbers is on page 19. Staff can answer your questions. They can also provide you with copies of the Transactions and Use Tax Law and Regulations and the other publications which are listed on pages 17 and 18.

We welcome your suggestions for improving this pamphlet. Please send your suggestions to:

Compliance Planning and
Evaluation Section
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P.O. Box 942879
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1. An Overview of District Taxes

Introduction to District Taxes

The following questions and answers provide an overview of district taxes. They cover the general application of the tax and the specific topics of:

- *Sales across district lines - page 3*
- *Construction Contractors - page 4*
- *Leases - page 4*

These topics are also covered in more detail in subsequent chapters.

What are district taxes?

District taxes, primarily authorized by the Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 through 7274), are additional sales and use taxes imposed by an ordinance of a voter approved special district. Special districts in cities or counties provide transportation and other government services. Examples of current districts include the Bay Area Rapid Transit District and the Orange County Local Transportation Authority. In this pamphlet **district sales taxes** are referred to as **transactions taxes**.

These taxes are administered for the districts by the State Board of Equalization and are to be reported on Schedule A of your sales tax return.

What is the rate of a district tax?

District tax rates currently vary from .10 percent to .50 percent. More than one district may be in an area but the total rates of all district taxes in that area may not exceed 1.50 percent (except for San Francisco which may not exceed 1.75%). These taxes are added to the statewide sales and use tax rate of 7.25%. A list of counties and cities with special tax districts is on pages 20 and 21.

Who is responsible for collecting and paying district taxes?

Since **transactions** taxes are imposed on the sale of tangible personal property in a district, you are responsible for reporting transaction tax if you are a retailer located in a special tax district. If you have more than one business location, your liability for district tax will depend on the location at which you conduct principal negotiations. For more information about application of tax to sales by businesses with multiple locations or with no fixed location, you should read the discussion about place of sale which begins on page 6.

Since district **use** taxes are imposed on tangible personal property which is stored, used or consumed in a district, you may be responsible for reporting district use tax if:

- You are "engaged in business" within a district
- You lease, store or consume tangible personal property in a district

What does "engaged in business" mean?

You are "engaged in business" in a district if you are a retailer who:

- Maintains, occupies or uses any type of office, sales room, warehouse or other place of business in the district, even if it is used temporarily, indirectly or through an agent
- Has any kind of representative operating in the district for the purposes of making sales or deliveries, or taking orders
- Derives rentals from a lease of tangible personal property located in the district
- Sells or leases vehicles, undocumented vessels or aircraft which will be registered in a district

What are some of the differences between district taxes and the Sales and Use Tax?

Since district tax ordinances must incorporate provisions of the Sales and Use Tax Law, the taxes are generally the same except:

- Property sold in a district and delivered to a customer outside the district may be exempt from the district tax.
- Retailers outside a district delivering property into a district may be required to collect the district's tax if they are engaged in business in the district.
- Sellers or lessors of vehicles, undocumented vessels, or aircraft are required to collect district use tax imposed in the county of registration.
- Certain sales to aircraft operators are exempt. To qualify for the exemption, the operator must use the property principally outside the county of sales and directly in the use of the aircraft as a common carrier. This exemption is not allowed on sales of fuel or petroleum products.
- Fixed price contracts, including leases entered into prior to the starting date of the new tax may be exempt.

What exempts a fixed price contract from district taxes?

To qualify as an exempt "fixed price contract", a contract must meet the following conditions:

- It must have been entered into prior to the effective date of the district tax. Contracts for which an irrevocable bid was submitted prior to the effective date will qualify even when signed on or after that date provided they are signed during a period for which the bid is still irrevocable.
- It must be for a fixed amount. A contract may not have any clauses which allow for increases or decreases in the contract price because of a change in the tax rates or the cost of the property to be furnished. This provision is not invalidated if the contract allows change orders. Change orders are considered as separate contracts.

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- All parties to the contract must be obligated to the terms of the contract. No party can have the unconditional right to terminate the contract, whether or not that right is exercised.
 - The sales tax amount or rate must be specifically stated in the contract or the contract must be tax-included.

The exemption allowed for fixed price contracts applies not only to standard retail sales contracts, but also to sales of materials and fixtures under fixed price construction contracts and to contracts for leases of tangible personal property. Fixed price construction contracts are discussed in more detail on page 12; fixed price lease contracts are discussed on page 15.

Sales Across District Lines

Am I liable for district tax if I solicit and accept a sale in a district when the property is never physically in the district?

No. Under these circumstances, you are liable for neither district sales or use tax. District tax law allows a specific exemption for property which is sold within a district but delivered and used outside the district.

Am I liable for district tax if I am located in a district and make a sale to a person located outside the district?

Generally you are not liable for district tax unless you deliver the property to the purchaser in the district. You are also liable for district use tax if you are a licensed dealer selling a vehicle, undocumented vessel or aircraft which the buyer registers at an address located in a district.

If I purchase property at a lower rate of tax, am I required to pay additional district tax if I use the property in a district with a higher tax rate?

Yes. If the property is used in a county with a higher tax rate than the rate paid at the time of purchase, the additional tax is due.

If I am a retailer located outside a district and I deliver property to my customer at my place of business, must I collect district tax if the customer's billing address is located in a special tax district?

No. You would be required to collect the tax only if you are "engaged in business" in the district and participated in the district in making the sale or delivered or shipped the property into the district. Please note that retailers of vehicles, undocumented vessels or aircraft are always "engaged in business" in districts in which the property is registered and therefore are always required to collect district use tax.

If I am a retailer located outside a district and I regularly make deliveries to customers in a district, am I required to report district tax?

If you make the deliveries with your own vehicle, you are considered "engaged in business" in the district and are required to report district tax on the sale. If you make the deliveries through a common carrier, you generally are not liable for the tax.

If I buy tools, equipment or other property for use in a district from a vendor who is not "engaged in business" in a district, are my purchases subject to district tax?

Yes. You are required to report and pay the district use tax.

If I live outside a district and bring property into a district for repair or reconditioning, are the repair charges which are subject to sales tax also subject to the district tax?

Yes, if you pick up the property in the district. However, if you take delivery of the property outside the district for use outside the district, the district tax does not apply.

For more information and examples about sales across district lines, you should read the discussion beginning on page 6.

Construction Contractors

If I am a contractor located in a county without district taxes and I install materials and fixtures in a building located in a special tax district, am I liable for the district tax?

Yes. Under the Transaction and Use Tax Law, your jobsite is considered your place of business. Consequently, if your jobsite is in a special tax district, district tax is due on the cost of materials you use or on the selling price of the fixtures which you furnish and install.

As a construction contractor, am I responsible for district tax on materials which I purchase prior to the operative date of a district tax and use after that date?

No, unless you originally purchased the materials under a resale certificate and you are using them for a purpose other than that stated on the certificate.

If I purchase construction materials after the effective date of a district tax, does district tax apply?

Yes, if you are purchasing and picking up the materials in the district or installing the materials at a jobsite in the district.

If I purchase construction materials or other property from a vendor in a district for use outside the district, does the district tax apply?

Yes, if you take delivery of the materials or property in the district. However, if you take delivery outside the district and use the property outside the district, district tax does not apply unless your jobsite is in another district.

For more information and examples about the application of district tax to sales to and purchases by construction contractors see page 11.

Leases

If I lease property which is used within a district, is the property subject to district tax?

Yes. The district tax applies while the property is in the district.

On which basis should I pay tax: my cost of the property or rental charges?

Your basis for payment of tax is determined by the following:

- If, as lessor, you have paid state sales or use tax on the cost of the property and you are renting the property in substantially the same form as you acquired it, rental charges are not subject to tax. However, if you paid no district tax, you would owe district tax on the purchase price unless the item was purchased prior to the operative date of the tax.
- If the rental charges are subject to tax, the rate applied should include the appropriate district taxes

For more information about leases, you should read the discussion beginning on page 14.

2. Place of Sale

A major factor that affects a retailer's liability for district tax is the "place of sale," that is, the location of the retailer's business. You should read this section if your business is located in a special tax district or you have multiple locations and some of them are in special tax districts.

Retailers with One Location

If you are a retailer whose only business location is in a special tax district, you must generally report **transactions** tax on all your sales unless:

- You, your agent or a common carrier ships or delivers the property to an out-of-state or out-of-district location, or
- The sale is exempt from the general sales tax.

If your business is located outside a district, your sales are generally not subject to **transactions** tax. However, you may be liable for district **use** tax if you are "engaged in business" in a district. For more information about being "engaged in business" in a district, you should read the discussion beginning on page 2.

Retailers with Multiple Locations

If you are a retailer with more than one location, the place of sale is generally considered the location at which you carry on principle negotiations even if you must forward the order to another location for acceptance, approval of credit, shipment or billing. Your employees' activities will be attributed to the location from which they work. Consequently, sales made or negotiated by employees, or at places, located in special tax districts are generally subject to **transactions** tax.

As with a single location business, you are allowed an exemption from district tax for property which is shipped to an out-of-state location or for property which is also exempt from the sales and use tax.

Generally you are not liable for transactions tax on sales made at business locations outside of special tax districts. You may, however, be liable for collecting district **use** tax if you ship the property into a district in which you are "engaged in business". For more information about being "engaged in business" in a district, please read the discussion beginning on page 2.

In addition to the above general rules, the following multi-location vendors have their place of sale prescribed by the Transaction and Use Tax Regulation 1822, *Place of Sale for Purposes of Transactions (Sales) and Use Taxes*.

Vending Machine Operators

For vending machine operators, place of sale is the location of the machine. If you are a vending machine operator who should pay tax when buying inventory and you make a tax-free purchase of inventory, you must report use tax based on the location of the machine through which the inventory is sold. When a machine is located in a special tax district, you are liable for both the state and district **use** tax.

Itinerant Merchants

Itinerant merchants are defined as retailers with no permanent place of business. This category includes certain door-to-door salespersons.

As an itinerant merchant, your place of sale is the permanent address shown on your seller's permit. If your permanent address is located in a special tax district, you are generally liable for district tax on your sales unless you deliver the property to the buyer outside the district for use outside the district. If your permanent address is outside a special tax district, your sales are generally exempt from **transactions** tax but may be subject to district **use** tax if you solicit the sale in a district and ship or deliver the property to the buyer in the district.

Businesses Qualifying as Section 6015 Retailers

A business which uses salespersons, representatives, peddlers, canvassers, agents, or other persons who operate under the direction of or obtain property from the business may be treated as the retailer under Section 6015(b) of the Sales and Use Tax Law. As a Section 6015 retailer, the business is responsible for reporting tax on any sales made by these persons. Section 6015 retailers include operators of certain school book clubs.

If you qualify as a Section 6015 retailer, your place of sale is the location from which your salespersons, representatives, peddlers, canvassers, or agents operate. Sales made by persons located in special tax districts are generally subject to **transactions** tax unless you deliver the property to the buyer outside the district for use outside the district. Sales made by persons located outside districts are generally exempt from **transactions** tax but may be subject to district **use** tax if you solicit the sale in a district and ship or deliver the property to the buyer in the district.

Auctioneers

For auctioneers, the place of sale is the location at which the auction is held. If you are an auctioneer holding an auction in a special tax district, your sales are subject to district tax unless otherwise exempt.

Out-of-State Retailers

An out-of-state retailer whose only presence in the state is a stock of tangible personal property is considered a California retailer and the place of sale is the location of the property from which delivery or shipment is made. If the property is located in a special tax district, the sale may be subject to **transactions** tax.

3. Sales Across District Lines

You should read this chapter if you have a business located in a special tax district and you make sales to customers located outside the district. You should also read this chapter if you purchase property which you intend to store, use or consume in a special tax district. This chapter gives a general outline of the application of district tax to these types of sales and purchases. If you have questions about particular sales, you should contact your local Board office. A complete list of Board offices is on page 19.

Retailers in districts selling property which they deliver outside the district are generally not liable for district tax. However, district tax may apply in one of the following situations:

- A retailer located in a special tax district sells property to a purchaser located outside the district, but the purchaser takes delivery of or first uses the property in the district
- Property is sold outside a district and is then brought into the district for storage, use, or consumption

This chapter discusses the general rules covering the application of district tax to these kinds of transactions and then discusses the responsibilities of retailers and purchasers for reporting the tax.

Property Sold in a District Which is Delivered or First Used in That District

If your business is located in a special tax district, your sales are generally subject to **transactions** tax when you deliver the property to the purchaser in the district. The transactions tax applies even if the purchaser intends to immediately transport and use the property outside the district.

For example, your business is located in Santa Clara County and you sell merchandise to a customer located in Merced County. If your customer picks up the merchandise at your location in Santa Clara County, the sale is subject to transactions tax even if your customer intends to take the merchandise to his or her location in Merced County. In contrast, if you ship the property to the Merced County location, the sale is not subject to district tax.

You will also be liable for transactions tax if you deliver the property outside the district with the knowledge that the purchaser will first store, use or consume the property in the district.

Property Sold Outside of a District, But First Used in That District

District **use** tax is due on property which you first store, use or consume (first use) in a special tax district. Even though you are liable for district use tax on property first used in a district, you are allowed a credit for any district tax which you have already paid. This credit is limited to the amount of tax which you owe in the district of first-use. That is, you are not eligible for a refund of district tax if the tax you owe in the district of first-use is less than the district tax you have already paid on the purchase. An example of how the credit applies is given on page 10.

Either the retailer or purchaser may be responsible for reporting district use tax to the Board of Equalization, depending on the circumstances of the sale or use of the property. The following sections on retailers and purchasers discuss this in more detail.

Retailers

As a retailer, you are required to collect and report district use tax on a sale when you deliver the property into a district in which you are "engaged in business" (please see page 2 for a discussion of "engaged in business"), and one of the following conditions applies:

- You ship or deliver the property into the district
- You participate within that district in the sale of the property. "Participation" includes solicitation whether direct or indirect. It also includes receipt of orders at a place of business in the district or through any representative, agent, canvasser, solicitor, subsidiary or any other person working in the district under your authority.
- You are a licensed dealer of vehicles, aircraft or undocumented vessels which are registered by the purchaser in a county with district taxes

If a sale meets these conditions, you are liable for district use tax on all taxable charges including those charges which result from repairs or reconditioning.

The following example illustrates when retailers should collect and report district use tax.

A retailer in Santa Clara County makes a taxable sale of property which is delivered to and used by the purchaser in Alameda County. Even though subject to the general sales tax, the sale would be exempt from Santa Clara County district taxes because the property was delivered outside the county. However, use of the property in Alameda County makes the sale subject to the district use tax in Alameda County. If the retailer is engaged in business in Alameda County and delivers the property to the Alameda County location, he or she is responsible for reporting district use tax. If the retailer is not engaged in business in the county, the purchaser is responsible for reporting district use tax.

In contrast, if the property was delivered into and first used in Marin County, neither district sales or use tax would be due since Marin County has no district taxes.

Purchasers

As a purchaser, you are generally required to report district use tax on the purchase price of tangible personal property when:

- You make first taxable use of the property in a special tax district
- You purchased the property without district tax or at a lesser rate of district tax than is imposed in the district of use
- The retailer has no obligation to report the tax

As stated above, you are eligible for a credit of tax paid to another district, but only up to the amount of tax due in the district of use.

Application of this credit is illustrated by the following example:

A consumer buys merchandise in Los Angeles County and pays district tax of 1.00 percent. The consumer then first uses the property in Orange County where the district tax rate is .50 percent. The consumer is liable for the Orange County district use tax at the .50 percent rate, but is eligible for a credit based on the district tax paid in Los Angeles County. However, no credit is allowed for the additional .50 percent paid in Los Angeles County.

If the consumer buys the merchandise in Orange County and then first uses it in Los Angeles County, he or she is liable for the Los Angeles district use tax of 1.00 percent. The consumer is allowed a credit for the .50 percent district tax paid in Orange County, but owes the additional .50 percent district tax due to Los Angeles County.

4. Construction Contractors

This chapter covers the general application of district taxes to construction contractors. You should read this chapter if you make sales to construction contractors, or if you are a contractor located or doing work in special tax districts.

Except for certain provisions specific to district tax, district tax generally applies to a construction contractor's purchases in the same manner as the sales and use tax. This chapter briefly summarizes the provisions common to both sales and use tax and district tax and then discusses the specific district tax provisions.

Tax Provisions Common to Both Sales and Use Tax and District Tax

Under both the sales and use tax and the district tax, construction contractors (other than those working under Federal contracts) are:

- Consumers of materials furnished and installed on real property such as lumber, cement, roofing, windows, and wall-to-wall carpeting. As consumers, contractors must pay tax when purchasing these items or report use tax when they are installed on real property.
- Retailers of fixtures furnished and installed on real property such as air conditioning units, lighting and plumbing fixtures, television antennas, and blinds. Contractors must charge tax on the sale of the fixtures to their customers, or, if installing the fixtures on a lump-sum contract, pay sales or use tax on the cost of the fixtures. If the contractor manufactures the fixture, the selling price is considered the price at which similar fixtures are sold or the price reflected by the contractor's records such as bid sheets or costing sheets.
- Retailers of machinery and equipment such as drill presses, lathes, and movable partitions. Contractors must charge tax on the selling price of these type of items to their customers.

In contrast, construction contractors working on contracts with the Federal government (also known as United States construction contractors) are considered the consumers of both materials and fixtures and must pay tax on their cost of these items. In addition, a United States construction contractor's sale of equipment to the Federal government is generally considered an exempt retail sale.

For more information about the application of sales and use tax to construction contractors and a more complete listing of property qualifying as materials, fixtures and machinery and equipment, you should read Pamphlet No. 9, *Tax Tips for Construction and Building Contractors*, and Regulation 1521, *Construction Contractors*. Copies are available at any Board office

Provisions Specific to District Tax

In addition to the above criteria, district tax law provides that:

- Materials purchased before the effective date of a district tax and installed after that date may not be subject to the tax
- The contractor's jobsite is considered the place of business for purposes of determining the applicable tax

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- Certain fixed price contracts may be exempt from district taxes enacted after the contract date

Consequently, to determine if a contractor's sales or purchases are subject to district tax, you need to take into account:

- The date of purchase
- The place at which the materials, fixtures and equipment are delivered or installed
- Whether the construction contract qualifies as a fixed price contract

These points are discussed in more detail below.

Date of Purchase

Materials purchased before the effective date of a district tax and installed after that date are not subject to the tax. This exclusion, however, does not apply to materials purchased under a resale certificate when the materials are used for a purpose other than that stated on the certificate. It also does not apply to fixtures and equipment. Sales or purchases of materials, fixtures and equipment after the effective date of the tax are generally subject to district tax.

Installation or Delivery Location

As discussed in the previous chapter, the place of sale or place of first use determines whether district tax applies to a sale or purchase of tangible personal property. For purchases by construction contractors:

- District **transactions** tax applies when a contractor picks up materials or fixtures in a district even if the contractor intends to install it at a jobsite located outside the district.
- District **use** tax applies when materials or fixtures are installed at a jobsite in a special tax district and they have been purchased without district tax or at a lower rate of district tax. Generally, the contractor is responsible for reporting and paying the tax.
- District tax will not apply if the sale occurs in a district, but the supplier ships the property to a non-district location where it is installed.

The only exception to these general rules are certain purchases of fixtures. The law allows contractors a credit for district tax paid on fixtures which are subsequently installed at a non-district location. For example, if you purchase air conditioning units in Los Angeles County (which has a total district tax rate of 1 percent) and install them on a structure in Ventura County (which has no district taxes), you are eligible for a credit of the 1 percent district tax paid in Los Angeles County.

Fixed Price Contracts

As noted in Chapter 1, purchases of materials, fixtures and equipment under a qualified fixed price contract are exempt from district tax. To qualify as an exempt fixed price contract, a contract must:

- Be entered into prior to the effective date of the district tax
- Be for a fixed amount

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- Have all parties obligated to the terms of the contract
 - Have sales tax amount or rate specifically stated in the contract

This exemption also applies to the purchases which subcontractors make as part of a fixed price prime contract. If you are unsure whether a construction contract qualifies as "fixed price," you should request a review of the contract by your nearest Board office. A list of offices is on page 19.

Please Note: The exemption allowed for the purchase of materials, fixtures, and equipment under a qualified fixed price contract does not apply to purchases of supplies such as tools, scaffolding, or welding gases which are used on the construction site. Supply purchases are only exempt if made under a fixed price supply contract entered into directly with the supplier prior to the effective date of the district tax.

5. Leases

This chapter discusses the application of district tax to leases. You should read this chapter if you are the lessor or lessee of tangible personal property which is being used in a special tax district.

As with other types of transactions, application of district tax to a lease is generally affected by how the lease is treated under the Sales and Use Tax Law. This chapter briefly discusses the treatment of leases under the sales and use tax and then discusses the application of district tax.

Leases and the Sales and Use Tax Law

The Sales and Use Tax Law distinguishes between leases of:

- Tangible personal property in general
- Tangible personal property which qualifies as mobile transportation equipment

The following sections summarize how the law applies to these two types of leases and then discusses provisions that apply to all leases.

Leases of Tangible Personal Property In General

Under the Sales and Use Tax Law, most leases are treated as continuing sales or purchases. Generally, the tax that applies is a use tax on the amounts payable under the lease (rentals) which is imposed on the lessee. If use tax does not apply (in the case of insurance companies for example), the payments are subject to the sales tax. Even though the tax is imposed on the lessee, the lessor is usually required to collect the tax and report it in the period during which he or she has received the rentals.

As an alternative, the law allows the lessor to pay tax on the purchase price of the leased property instead of on the rentals. This choice is an irrevocable election and can be taken only if the lessor both:

- Leases the property in substantially the same form as purchased
- Makes the election during the first quarterly period in which the property is rented

These general rules apply whether the lessor purchases the property specifically for leasing or purchases it for resale and then decides to lease it.

Leases of Mobile Transportation Equipment

Mobile transportation equipment includes rail cars, locomotives, truck tractors and trailers, vessels, reusable shipping containers, and airplanes. The law considers lessors of mobile transportation equipment to be consumers of the equipment. Consequently, they are required to pay tax on the purchase price.

As an alternative, lessors may issue a resale certificate when purchasing the equipment and elect to report tax on the fair rental value of the equipment. If lessors make this election, they need to remember that:

- The election must be made during the first period in which equipment is leased (usually the calendar quarter)

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- The tax rate that applies to the fair rental value is the rate imposed at the location where the equipment is first used. If the lessee moves the equipment to another location, even outside California, the tax rate still applies.

Conditions Applying to All Leases

In addition to the specific conditions noted above, the following rules apply to all leases:

- Property that has been leased and is then sold either to the lessee or another person is subject to sales and use tax in the same manner as other retail sales. If the sale occurs as the result of a purchase option in the lease contract, the sale occurs at the time the option is exercised.
- Property which has been leased and then converted to personal use by the lessor is subject to use tax unless the lessor paid the correct amount of tax on the original purchase. The amount of tax due is based on the original purchase price and may be offset by tax already collected on rentals.

For more detailed information about the treatment of leases under the Sales and Use Tax Law, you should read Regulation 1660, *Leases of Tangible Personal Property - In General*; Regulation 1661, *Leases of Mobile Transportation Equipment*; and Pamphlet No. 46, *Tax Tips for the Leasing of Tangible Personal Property in California*.

Leases and District Tax

Leases of Tangible Personal Property in General

Payments on most leases are subject to district tax if:

- The property is being used in a special tax district, and
- The payments are subject to the statewide sales and use tax

These general rules apply unless one of the following exemptions or exclusions applies to the lease:

- The lease contract qualifies as an exempt fixed price contract and the payments are exempt from district tax. As noted on page 2, qualifying contracts must be entered into prior to effective date of the district tax, be for a fixed amount, and have all parties obligated to the terms of the contract.
- The property was purchased before the effective date of the district tax, tax was paid on the purchase, and the property was leased in the district after the effective date.

In addition, district tax applies only while the property is used in the district. Leased property which is moved from a district is no longer subject to that district's tax. If moved into another district, the property would be subject to the district tax imposed at the new location; if moved to a non-district location, no district tax would apply. Similarly, leased property which is first used outside a district and then moved into a district becomes subject to the district tax.

The responsibility for reporting district tax on a lease is the lessor's when he or she is located in the district. The lessor may also be liable when he or she is

"engaged in business" in the district and has delivered the leased property into the district or participated in the district in the making of the lease. When the lessor is not responsible for reporting the tax, the lessee is liable.

Lessors who elect to pay tax on the purchase price of property may be liable for district tax if both the following conditions apply:

- The property is first leased in a special tax district
- The lessor paid no district tax or paid district tax at a rate less than that imposed in that district

If, for example, you pay tax when you buy property in San Joaquin County (which has a district tax rate of .50 percent) and you first lease it at a location in Contra Costa County where the district rate is 1.00 percent, you owe Contra Costa County district use tax at a rate of .50 percent of the purchase price.

Leases of Mobile Transportation Equipment

When a lessor pays tax on the purchase of mobile transportation equipment, the application of district tax follows the same rules as any other sale of tangible personal property. That is, district tax is due on the sale if the property is either delivered or first used in a special tax district.

If a lessor elects to pay tax on the fair rental value of the equipment, district tax applies if the first use of the equipment is in a special tax district. If the equipment is part of a resale inventory which is located in a special tax district, the equipment is generally subject to district tax at the time it is withdrawn from inventory for lease. However, district tax will not apply if:

- The only use of the equipment in the district is its transport to a lessee located outside a district
- The equipment is thereafter used solely outside any district

Lessors whose inventories are located outside special tax districts are not subject to district tax on their leases if the equipment is not used within any district for more than 90 days.

Conditions Applying to All Leases

Leased property which is subsequently sold by the lessor is a retail sale which may be subject to district tax if the property is delivered or first used in a special tax district. For a general overview of when district tax would apply, see the first three chapters of this pamphlet.

Lessors who convert leased property to personal use will generally not be liable for district tax if one of the following conditions applies:

- They have already paid district tax equal to that due in the district of use
- They are not first using the property in a special tax district
- They originally purchased the property under a fixed price contract
- They acquired the property as the result of a transaction excluded or exempted from the sales tax such as an occasional sale, a gift, or a bequest

6. For More Information

For More Information

You may:

- Contact your nearest Board office and talk to a representative about how to apply district tax or complete a form.
- Request copies of the laws and regulations that apply to your business.
- Write for advice regarding the application of district tax to a particular sale or transaction. Written requests should be sent to your nearest Board office or to the Board's headquarter offices. They should fully describe the facts and circumstances of the transaction.

Note: If you rely on a written response from the Board regarding the taxability of a particular sale or transaction, you may be relieved of any tax, penalty, or interest related to that transaction if the Board determines that its written response included errors.

Publications and Regulations

The Board publishes a number of pamphlets and regulations on district tax. Pamphlets dealing with district tax are:

No. 2 *Uniform Local Sales & Use Tax Law and Transactions & Use Tax.*

This pamphlet contains the text of the district tax (Transaction and Use Tax) law.

No. 71 *California City and County Sales and Use Tax Rates.*

This pamphlet has a list of postal delivery addresses in California with their tax rates and county of location. It also has a list of zipcodes in special tax districts.

Board regulations are designed to implement, interpret or make specific provisions of district tax law and the Sales and Use Tax Law. Regulations dealing with district tax are:

1821 *Foreword*

1822 *Place of Sale for Purposes of Transactions (Sales) and Use Taxes*

1823 *Application of Transaction (Sales) Tax and Use Tax*

1823.5 *Place of Delivery of Certain Vehicles, Aircraft and Undocumented Vessels*

1825 *Aircraft Common Carriers and Waterborne Vessels*

1826 *Construction Contractors*

1827 *Collection of Use Tax by Retailers*

The Board also publishes a number of pamphlets and regulations about the sales and use tax. For a general overview of sales and use tax, you should read Pamphlet No. 73, *Your California Seller's Permit*. This publication includes a complete list of Board pamphlets and regulations dealing with sales and use tax.

Sales and use tax pamphlets and regulations dealing specifically with construction contractors and leases are:

Copies of regulations and publications may be obtained through a local Board office. See page 19 for telephone numbers. It is recommended that you call ahead and ask whether the publication you need is in stock.

You may also order publications by writing:

Supply Unit
State Board of
Equalization
3920 West Capitol Avenue
Suite 200
West Sacramento, CA
95691

Pamphlets -

No. 9 *Tax Tips for Construction and Building Contractors*

No. 46 *Tax Tips for Leasing Tangible Personal Property in California*

Regulations -

1521 *Construction Contractors*

1660 *Leases of Tangible Personal Property - In General*

1661 *Leases of Mobile Transportation Equipment*

If you are a registered seller, you should also receive the *Tax Information Bulletin*. It is normally enclosed with your quarterly return and includes articles on the application of sales and use and district taxes to specific transactions, announcements about new and revised publications, and other articles of interest to registered sellers.

7. Field Offices

Staff located in the State Board of Equalization field offices listed below will be glad to answer your questions about district tax or any questions you may have about the other taxes administered by the Board. If you are calling about your account, you will receive assistance faster if you have your permit number available when you call.

City	Area Code	Number	City	Area Code	Number
Arcadia	818	350-6401	Sacramento	916	255-3350
(from LA)	213	681-6675	Salinas	408	443-3008
Arroyo Grande	805	489-6293	San Bernardino	909	383-4701
Auburn	916	885-8408	San Diego	619	525-4526
Bakersfield	805	395-2880	San Francisco	415	396-9800
Bishop	619	872-3701	San Jose	408	277-1231
Chico	916	895-5322	San Marcos	619	744-1330
Concord	510	687-6962	San Mateo	415	573-3800
Covina	818	331-6401	San Rafael	415	472-1513
Crescent City	707	464-2321	Santa Ana	714	558-4059
Culver City	310	313-7111	Santa Cruz	408	462-9496
(from LA)	213	879-0600	Santa Rosa	707	576-2100
Downey	310	803-3471	Sonora	209	532-6979
(from LA)	213	773-3480	South Lake Tahoe	916	544-4816
El Centro	619	352-3431	Stockton	209	948-7720
Eureka	707	445-6500	Susanville	916	257-3429
Fresno	209	445-5285	Torrance	310	516-4300
Grass Valley	916	272-1347	(from LA)	213	770-4148
Hollywood	213	913-7800	Ukiah	707	463-4731
Laguna Hills	714	770-2157	Union City	510	429-7090
Lakewood	310	421-3295	Vallejo	707	648-4065
(from LA)	213	636-2466	Van Nuys	818	901-5293
Lancaster	805	940-7383	Ventura	805	654-4523
Marysville	916	741-4301	Visalia	209	732-5641
Merced	209	726-6527	Yreka	916	842-7439
Modesto	209	576-6360			
Oakland	510	286-0347			
Placerville	916	622-1101			
Quincy	916	283-1070			
Rancho Mirage	619	346-8096			
Redding	916	224-4729			
Riverside	909	782-4330			

Offices for Out-of-State Accounts

Chicago, IL	312	201-5300
Houston, TX	713	681-1106
New York, NY	212	697-4680
Sacramento, CA	916	322-2010

Taxpayers' Rights Advocate

The State Board of Equalization has appointed a Taxpayers' Rights Advocate to help you with problems you cannot resolve at your nearest Board office. You may contact the Taxpayers' Rights Advocate by writing to the State Board of Equalization; P.O. Box 942879, Sacramento, CA 94279-0001; or by telephoning 916-324-2798.

Appendix

Counties with Special Tax Districts

County	District Name	Effective Date	District Rate	Total Rate (See Note 1)
Alameda	BART-Bay Area Rapid Transit	4/1/70	.50%	8.25%
	ACTA-Alameda Co. Transportation Auth.	4/1/87	.50%	
Contra Costa	BART-Bay Area Rapid Transit	4/1/70	.50%	8.25%
	CCTA-Contra Costa Transportation Auth.	4/1/89	.50%	
Del Norte	DNCD-County of Del Norte District	7/1/93	.50%	7.75%
Fresno	FCTA-Fresno Co. Transportation Auth.	7/1/87	.50%	7.75%
Fresno-City of Fresno Only	FMPA-Fresno Metropolitan Projects Auth. (See Note 2)	7/1/93	.10%	7.85%
Imperial	IMTA-Imperial Co. Local Transportation Auth.	4/1/90	.50%	7.75%
Imperial - Calexico Only	CXHD-City of Calexico Heffernan Hosp. Dist. (See Note 3)	10/1/92	.50%	8.25%
Inyo	INRC-Inyo Co. Rural Counties Transactions Tax	10/1/88	.50%	7.75%
Los Angeles	LACT-Los Angeles Co. Transportation Comm.	7/1/82	.50%	8.25%
	LATC-Los Angeles Co. Transportation Comm.	4/1/91	.50%	
Madera	MCTA-Madera Co. Transportation Auth.	10/1/90	.50%	7.75%
Monterey	MPRI-Monterey Co. Public Repair & Improvement Auth.	4/1/90	.50%	7.25%
	MPRI Discontinued	10/1/92		
Orange	OCTA-Orange Co. Transportation Auth.	4/1/91	.50%	7.75%
Riverside	RCTC-Riverside Co. Transportation Comm.	7/1/89	.50%	7.75%
Sacramento	STAT-Sacramento Transportation Auth.	4/1/89	.50%	7.75%
San Benito	SBCG-San Benito Co. Council of Governments	1/1/89	.50%	8.25%
	SBTU-San Benito Co. General Fund Augmentation Dist.	1/1/94	.50%	
San Bernardino	SBER-San Bernardino Co. Transportation Auth.	4/1/90	.50%	7.75%
San Diego	SDTC-San Diego Co. Regional Transportation Comm.	4/1/88	.50%	7.75%
	SDJF-San Diego Co. Regional Justice Facility	1/1/89	.50%	
	SDJF Discontinued	2/14/92		
San Francisco	BART-Bay Area Rapid Transit	4/1/70	.50%	8.50%
	SFTA-San Francisco Co. Transportation Auth.	4/1/90	.50%	
	SFPF-San Francisco Co. Public Finance Auth.	10/1/93	.25%	
San Joaquin	SJTA-San Joaquin Co. Transportation Auth.	4/1/91	.50%	7.75%
San Mateo	SMCT-San Mateo Co. Transit District	7/1/82	.50%	8.25%
	SMTA-San Mateo Co. Transportation Auth.	1/1/89	.50%	
Santa Barbara	SBAB-Santa Barbara Co. Local Transportation Auth.	4/1/90	.50%	7.75%
Santa Clara	SCCT-Santa Clara Co. Transit District	10/1/76	.50%	8.25%
	SCTA-Santa Clara Co. Traffic Auth.	4/1/85	.50%	

County	District Name	Effective Date	District Rate	Total Rate
Santa Cruz	SCMT-Santa Cruz Metropolitan Transit District	1/1/79	.50%	8.25%
	SCER-Santa Cruz Earthquake Recovery	4/1/91	.50%	
Sonoma	SCOS-Sonoma Co. Open Space Auth.	4/1/91	.25%	7.50%

Notes:

1. The total tax rate is made up of the basic statewide sales and use tax rate of 7.25 percent plus the special district taxes imposed in the county or city. The statewide rate of 7.25 percent includes:

Component	Percent
State tax	6.00
County and local tax	<u>1.25</u>
Total	<u>7.25</u>

2. The **City of Fresno Metropolitan Projects Authority District (FMPA)** is located in Fresno County. Its boundaries include the City of Fresno and its adopted sphere of influence. Transactions subject to the FMPA tax are also subject to the Fresno County Transportation Authority tax.

3. The **City of Calexico Heffernan Hospital District (CXHD)** is located in Imperial County. Its boundaries are the same as the City of Calexico. Transactions subject to CXHD tax are also subject to the Imperial County Local Transportation Authority tax.

California State Board of Equalization
450 N Street • Sacramento, California
(Mailing Address: P.O. Box 942879 • Sacramento, CA 94279-0001)